

Message Text

PAGE 01 STATE 155409

60
ORIGIN ARA-10

INFO OCT-01 ISO-00 EB-07 TRSE-00 L-03 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 PA-01 PRS-01 INT-05

GSA-01 /064 R

DRAFTED BY ARA/CAR/G-J:DCNORTON:BK

APPROVED BY EB/IFD/ODF:RGELBARD

TREASURY:JBUSHNELL (SUBST)

US/IBRD:HREYNOLDS (SUBST)

L/EB:SBOND (SUBST)

EB/IFD/OIA:DSTEBBING (SUBST)

ARA/CAR:JRBURKE (SUBST)

ARA/LA/MRSD:JROTHBERG (SUBST)

----- 017850

P 012139Z JUL 75

FM SECSTATE WASHDC

TO AMEMBASSY KINGSTON PRIORITY

LIMITED OFFICIAL USE STATE 155409

E.O. 11652: N/A

TAGS: EAID, JM, US

SUBJECT: USG POSITION ON WORLD BANK LOAN FOR KINGSTON
SEWERAGE AND WATER SUPPLY PROJECT

REFERENCE: STATE 194229

1. ALTERNATE US EXECUTIVE DIRECTOR TO THE IBRD, HAL
REYNOLDS, PRESENTED DUDLEY CLARK, THE JAMAICAN ALTERNATE
DIRECTOR, ON JUNE 30 THE FOLLOWING STATEMENT FOR THE
RECORD THAT WAS ORIGINALLY PREPARED FOR DELIVERY AT THE
JUNE 26 WORLD BANK'S BOARD OF DIRECTORS' MEETING THAT
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APPROVED 15.0 MILLION DOLS LOAN FOR THE KINGSTON SEWERAGE
AND WATER SUPPLY PROJECT. USG REPRESENTATION JOINED THE
CONSENSUS IN APPROVING THE LOAN, BUT WAS UNABLE TO DELIVER
STATEMENT AT BOARD MEETING.

2. BEGIN TEXT: WE NOTE THAT NEGOTIATIONS ARE CONTINUING BETWEEN THE GOJ AND THE ALUMINUM COMPANIES. THE UNITED STATES CONTINUES TO URGE THAT PROMPT AND MUTUALLY SATISFACTORY SETTLEMENTS BE NEGOTIATED IN EACH CASE AND BELIEVES THAT SUCH SETTLEMENTS ARE IN THE BEST INTERESTS OF ALL PARTIES.

THE UNITED STATES GOVERNMENT FURTHER NOTES THAT AN ICSID TRIBUNAL HAS BEEN ESTABLISHED TO HEAR THE PROCEEDINGS FILED BY THE THREE COMPANIES THAT HAVE REQUESTED ICSID'S ARBITRATION PURSUANT TO THE TERMS OF THEIR CONTRACTS WITH THE GOJ. WE NOTE THAT THE ARBITRAL PANEL IS EXPECTED TO RENDER A DECISION IN THE NEAR FUTURE CONCERNING ICSID'S JURISDICTION TO REVIEW THE SUBSTANTIVE MERITS OF THESE CASES. AS A CONTRACTING STATE TO THE ICSID CONVENTION, THE UNITED STATES ATTACHES IMPORTANCE TO THESE PROCEEDINGS AND TO THE INTEGRITY OF THE CONVENTION.

WE CONTINUE TO BE HOPEFUL THAT THE ICSID PROCEEDINGS, TOGETHER WITH THE INDIVIDUAL NEGOTIATIONS BETWEEN THE PARTIES CONCERNED, WILL PAVE THE WAY TOWARD SETTLEMENT OF THE ISSUES AT DISPUTE WITH ALL COMPANIES. END TEXT.

3. IN HIS REPORT AND RECOMMENDATION ON THIS LOAN, WORLD BANK PRESIDENT McNAMARA AGAIN TOOK NOTE OF THE ONGOING BAUXITE NEGOTIATIONS AND JAMAICA'S POSITION REGARDING THE ICSID PROCEEDINGS.

HE WROTE: (QUOTE) THE GOVERNMENT'S ACTION TO INCREASE BAUXITE TAXES AND ROYALTIES FOLLOWED THE FAILURE TO REACH AGREEMENT WITH THE COMPANIES ON A RENEGOTIATION OF THE TAX CLAUSES IN THE ORIGINAL COMPANY CONTRACTS. THE COMPANIES OBJECTED TO THE TAX INCREASE AND THREE US-OWNED COMPANIES REQUESTED ARBITRATION BEFORE THE INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES (ICSID). THE CONVEN-

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TION CREATING THE CENTRE ESTABLISHES RULES FOR THE CONSTITUTION OF TRIBUNALS, INCLUDING RULES FOR THE APPOINTMENT OF ARBITRATORS BY THE CHAIRMAN OF THE ADMINISTRATIVE COUNCIL OF THE CENTRE IN CASE THE PARTIES FAIL TO MAKE SUCH APPOINTMENTS BY MUTUAL AGREEMENT. ACTING UNDER THESE RULES, THREE ARBITRAL TRIBUNALS HAVE BEEN CONSTITUTED AND PROCEEDINGS HAVE COMMENCED. THE POINTS AT ISSUE (INCLUDING LAND OWNERSHIP, GOVERNMENT PARTICIPATION IN THE COMPANIES AND GUARANTEED SUPPLY OF BAUXITE FOR THE COMPANIES) ARE BEING DISCUSSED BETWEEN THE GOVERNMENT AND THE COMPANIES. AGREEMENT IN PRINCIPLE HAS RECENTLY BEEN REACHED WITH TWO OF THE COMPANIES ON A NUMBER OF THESE ISSUES, INCLUDING THE BAUXITE TAX (END

QUOTE). INGERSOLL

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